



## **The Role of Forensic Accounting in a Divorce**

Sherry Rahbar, Partner, CFO Edge, LLC

There are obviously many benefits to a rebounding economy for Los Angeles and Southern California business owners and entrepreneurs, and for our economy and society in general. A growing, healthy economy usually means more opportunities to grow a business, hire new employees and boost sales and corporate profits.

But there is one societal drawback to a rebounding economy: more divorces. New studies have shown that as the overall economy recovers, the divorce rate in the U.S. rises. Some experts believe that as their personal economic and job prospects brighten, some couples having marital problems feel free to go ahead and pursue a divorce they might have been putting off for financial reasons.

### **Financially Dominant vs. Non-Financially Dominant Spouse**

In many marriages, one of the spouses is what's often referred to as the financially dominant spouse. This is especially the case in many affluent households, where one spouse is the primary earner and dominant financial decision maker. Traditionally, the husband has assumed this role in most families, but this is changing as more women start businesses or climb the corporate ladder while their husbands assume the role of stay-at-home dads.

If you are working with a client (whether husband or wife) who is a non-financially dominant spouse facing divorce, it is critical that you and your client identify all of the marital assets, both domestic and international, that are owned by the couple. This may be difficult for your client if he or she has always taken a hands-off approach to the family's finances. But failing to do so could result in your client not receiving the portion of marital assets (usually 50 percent) that he or she is legally entitled to receive. And your client could literally pay the price for this for the rest of his or her life.

Typically, the financially dominant spouse will start planning the divorce carefully long before the separation and/or filing. Over a period of time, this spouse will slowly hide and transfer money into and out of different accounts to complicate the financial picture and make it hard for the non-financially dominant spouse to locate and pursue these assets during the divorce settlement.

When this happens, the non-financially dominant spouse can easily become overwhelmed. Not only is this spouse dealing with the emotional and family aspects and repercussions of getting divorced, but he or she also has to try to wade through a complex financial maze that the financially dominant spouse may have woven specifically to hide assets and benefit disproportionately in the divorce settlement.

### **The Role of the Forensic Accountant**

In this scenario, it often makes sense to bring in a forensic accountant who can help locate and bring to light hidden assets so that your client receives his or her fair share of the divorce settlement. A good forensic accountant will have a broad background in both general and forensic accounting, and will have previous

investigative experience in numerous other family law and fraud cases. This professional will understand the differences between single property and community property in order to be able to explain:

- How a single property can be deemed as a community property when commingled with the marital assets.
- How to trace all transactions to find missing assets.
- How to determine the true value of a financially dominant spouse's business.
- How to determine proper child support to protect your children's future financial situation (e.g. college funds, hobbies, etc.).

In addition, a good forensic accountant will provide an analysis that helps you and your client understand how all the numbers add up. Ultimately, this professional will help you and your client locate and bring to light all of marital assets the couple owns, no matter how hard the financially dominant spouse may have tried to hide them. As a result, you will be able to obtain for your client the portion of marital assets he or she is entitled to receive by law.

Not only will this benefit your client, but it will benefit your practice by:

- Creating happy clients who know that you care about them and are determined to provide the best outcome on their behalf during one of the saddest times of their lives.
- Earning your clients' trust — they will view you as their partner, not just a service provider.
- Generating increased referrals from these happy clients, who value your ability to fight for them and their future financial security.

### **Concluding Thoughts**

While there are many benefits to a rebounding economy, one of the drawbacks is a rise in the divorce rate. In some divorces, a financially dominant spouse will start planning the divorce carefully long before the separation and/or filing in order to hide and transfer money into and out of different accounts to make it hard for the non-financially dominant spouse to locate and pursue these assets during the divorce settlement. A good forensic accountant will help you and your client locate and bring to light all of marital assets the couple owns so that your client receives the portion of marital assets he or she is entitled to receive by law.

### **About CFO Edge**

CFO Edge, LLC delivers enterprise-class financial and operational performance solutions to executives throughout Southern California. Based in Los Angeles, our formerly-seated chief financial officers engage on demand as part-time CFOs, single-project CFOs, and interim CFOs to help business leaders successfully resolve pressing challenges and realize their financial and operational goals. At CFO Edge, we're passionate about helping our clients create, grow and sustain value. For more information, visit [www.cfoedge.com](http://www.cfoedge.com) or call 800.276.1750 Ext 101.

This publication has been prepared for general information on matters of interest only, and does not constitute professional advice on facts and circumstances specific to any person or entity. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication. The information contained in this material was not intended or written to be used, and cannot be used, for purposes of avoiding penalties or sanctions imposed by any government or other regulatory body. CFO Edge, LLC, its members, employees and agents shall not be responsible for any loss sustained by any person or entity who relies on this publication.